

MINUTES OF THE CITY COUNCIL

CITY OF AUSTIN, TEXAS

Special Meeting

November 14, 1977  
5:00 P.M.

Council Chambers  
301 West Second Street

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The meeting was called to order with Mayor McClellan presiding.

Roll Call:

Present: Mayor McClellan, Councilmembers Cooke, Goodman, Mayor  
Pro Tem Himmelblau, Councilmembers Mullen, Snell, Trevino

Absent: None

PROPOSED TOUCHE-ROSS NEW ELECTRIC RATE

Mayor McClellan stated that this was a Special Called Meeting for the purpose of making some preliminary decisions before they proceed on the electric rate study. She indicated that before they could actually tell the individual impact in the customer group, they needed to make these decisions so that Touche Ross could break that out for the Council. Mayor McClellan then reviewed the six predicates to be acted upon that night. They were as follows:

1. Adoption of the methodology used to allocated plant cost and operating expenses.
2. Adoption of the recommended 14 various customer classifications.
3. Adoption of the recommended system revenue requirements for Fiscal Years 1978 and 1979.
4. Adoption of the recommended revenue requirements by customer group for Fiscal Years 78 and 79. This section includes the rate differential.
5. Adoption of the recommended fuel clause to permit the timely recovery of fuel costs.
6. Adoption of the policy of initiating and implementing a continuous on-going rate management program.

Mayor McClellan then noted that the Council had held and closed a public hearing the week before and that a motion relating to those six predicates would be in order.

Motion

Councilmember Cooke moved that the Council approve the aforementioned items with the exclusion of item number 4 referring to the rate differential. The motion, seconded by Councilmember Goodman, carried by the following vote:

Ayes: Mayor McClellan, Councilmembers Cooke, Goodman, Mayor Pro  
Tem Himmelblau, Councilmembers Mullen, Snell, Trevino  
Noes: None

In regard to the rate differential, Mayor McClellan felt that the Council should adopt the 1.4 rate differential as recommended by the consultants. She felt that this figure would be recognizing the maximum justifiable cost advantage for the residential customer. The Mayor indicated that the 1.4 figure came on pretty strong as far as industry and commercial groups carrying a lot of the load and felt that there was equity therein between the very small customer and the large customer. Mayor McClellan stated that the total revenue requirements for 1979 were cut to the absolute minimum to hold down the rates. She felt that the 1.4 figure paralleled the Public Utility Commission's decision of 1976 in the TP & L rate case, that indicated a 1.39 differential. She stated:

1. Touche Ross is a nationally recognized auditing and rate consulting firm.
2. They are supporting the 1.4.
3. Some social-economic factors have certainly gone into that 1.4 already.
4. Was certainly pleased that we are giving an advantage to the residential consumer in going to the 1.4

Mayor Pro Tem Himmelblau indicated that she agreed with the Mayor and felt that it was important to the overall economy of Austin, that the 1.4 differential was as far as the Council should go. She felt Austin has had a good climate, we have been able to attract large clean industries, and would like to see us remain there. She also stated that anything over the 1.4 will jeopardize the job market, would not do that much for the average user and could possibly endanger the integrity of the system.

Motion

Mayor Pro Tem Himmelblau moved that the Council adopt the "1.4" rate differential as recommended by the consultants. The motion was seconded by Mayor McClellan.

Substitute Motion

Councilmember Goodman made a substitute motion that the Council adopt a "1.5" rate differential. The motion was seconded by Councilmember Trevino.

Councilmember Goodman, in making the substitute motion, made the following statement: "I think it is entirely a justifiable thing, and sensible. I think the consultants have said as much even though they recommend the 1.4 differential. It is not a decision that a consultant can make, accountants. It is a decision that involves much more than whatever statistics they may have developed, and it is a social decision. It is a political decision, and only this Council can take those factors into consideration. I personally favor the 1.5 because I don't think there is any way we can ever tip the scales to make up for the misery that so many Austin citizens endured for so long on the short end of the stick insofar as paying for their electrical consumption. They have paid more than their share, homeowners and particularly small business owners for a very long time. And this differential that we are going to adopt today will only be for a two-year period. I don't think it is fair or proper to compare our situation with TP & L. They have different fuels. They have a different mix with their residential and industrial users, and if industry for example was seeking to locate in an area served by TP & L versus one here in Austin, they would undercut us regardless of the differential. There would be lower energy costs in their service area to begin with. It is just one of many factors that the corporation or company considers in seeking a location. I don't think that we would jeopardize our overall economy in the slightest. There is a relatively insignificant difference between 1.4 and 1.5, and that being the case I think we should give that small consideration to the homeowners and the small business owners. In particular, the four largest groups that would be effected by the differential..three of them would pass along the cost to taxpayers. In the case of Bergstrom Air Force Base, to taxpayers all over the country. In the case of the State and University to the citizens all over the state, and the only real commercial user in that class...IBM...would pass along its costs all over the world.

"In addition we have heard the arguments that business cannot only absorb the costs and pass them on to the consumer. We are going to be paying the bill anyway. What difference does it make? They can also absorb them as taxes or as operating costs, which the homeowner cannot do, which the small business owner cannot do. They have the greater flexibility where the homeowner and the small business owner does not. And I think it is the least we can do for those people who have paid so much for so long."

Councilmember Trevino, in seconding the motion, made the following statement: "I would like to just remind all of us, that in our campaign, whether it was '73, '75 or '77, all or most if not all of us candidates who committed ourselves to try to bring as much relief to the residential and small business consumers. Like Councilman Goodman, I feel that the 1.5 will give the greatest relief. For too long they have had the burden of having to..some people put it..to help large industry, and I think in all fairness now it is time for industry at least for a short period of time, as we are told, to help bring this relief. We are also reminded that these rates are only for a duration of maybe less than 2 years. We have also boasted about our new diversification of fuel, and that perhaps in the next two years, the use of coal and the use of nuclear fuel; perhaps the rates won't be as large as we have experienced them.

"It was pointed out also that perhaps industry may be reluctant to settle here in Austin, but we are reminded time and time again by our good people from the Chamber of Commerce and other places that the City has many good things to offer. I am sure that Motorola and Eagle Signal and IBM, and etc., made the

decision based on the cost of fuel back at the time that they relocated. I am sure they took a look at the expertise that we have at the University of Texas. They have taken a look at the climate that we have in central Texas. I think that we have many other things to take a look at, and I have great confidence in our fair City that we have many things to offer, and that we will continue to attract industry.

"We have had a group of citizens to discuss this and to review this problem, and they have also endorsed the 1.5. We do not have the luxury of writing this off like business. Business, and Lord knows that you know we all feel that we want industry here, and we want to encourage industry to come, but you know I am reminded also this industry, particularly the large consumers here in Austin sell their product all over the world. I think it is time now for us to give the residential consumer, the small business consumer a break."

Mayor Pro Tem Himmelblau stated she felt that the 1.4 would be giving them a break, but she was also concerned about losing one of the large users, what it would do to the integrity of our system. She thought the state could generate their own power, and she did not want to force them to do it.

Mayor McClellan made the following comments. "I think that this rate structure and predicates we are adopting do recognize in a very real way the residential rate payers situation, and as a matter of fact, for the 1979 rates, and these are our peak, toughest years, that we are proceeding to set rates for now, and residential rate payers will have a 6.27 reduction as compared to the interim adjustment. And I think that what you said was accurate, Richard, this is political." She stated the difference between 1.4 and 1.5 would be a little over \$1.00 difference per month for typical residential, whereas for the general lower service customer it would be \$33,000 to \$36,000 difference, and you are already socking it to them for another \$147,000 difference for that customer. She stated: "I guess it is academic as where you are talking about businesses moving out or decisions not to expand; not to come in to Austin..maybe perhaps locate in the neighboring...I think it is significant to talk about what TP & L is, they are, you know, our closest neighbor here at 1.39...whether they are going to locate there or expand or come in there, and I think if you, in fact, drive off or drive out some of these businesses or discourage them, it certainly will have an impact on our residential rate payers, on our tax base and a whole lot of other things. And, I don't know, I just feel like we are recognizing here...we are taking a significant step and really coming on very strong with the 1.4 differential. I think that is certainly recognizing things, and I think it is not accurate to talk about the residential rate payer having carried the load for commercial.

"I think in fact if you break out and look at those figures we have been provided with that the ones who have really been carrying the load and are way out of kilter are the small businesses, and of course these rates are recognizing that too."

Mayor McClellan continued: "Johnny, you are right in that our citizens committee recommended 1.5, but it was a 5-4 decision of our own Electric Utility Commission, and they had a great deal of discussion on the 1.4 and 1.5. I think the big jump come on..going to the 1.4. I think that was the significant step."

Councilmember Mullen stated he thought what the Mayor said made a lot of sense. He made the following statement: "...on a personal basis, you know we are all consumers, so my electric bill is probably as high as any of your electric bills, and personally the 1.5 would be great. I would like to have the 1.5. Secondly, I am a small businessman. 1.5 would help me so much more than the 1.4, not so much more but somewhat more, so personally, the 1.5 is really for my good, and I think that as the consumer no. 1, as a small businessman, no. 2, but to look at it logically, it is hard to pay an electric bill if you don't have a job, and if we don't have Motorola stores on the south side, and we do run businesses off from coming here, and we do harm our economy in the long run by not going to the 1.4. The 1.5 is way over what we initially talked about and that is the 1.25, then electric bills don't become as much of a problem as would come a disaster if you don't have a job.

"No. 2 is I think that whatever we have had and whatever we do needs to be defensible in Court, and the 1.5 I question, the 1.4 I question. That is why I will make a substitute motion that we go 1.39, which is what TP & L has already been through. I think it is defensible in Court. I believe that if we go for anything higher than that, we are going to end up in Court with the large users."

#### Second Substitute Motion

Councilmember Mullen made a second substitute motion that the Council adopt a "1.39" rate differential. The motion was seconded by Councilmember Cooke.

Mayor McClellan made the following statement: "Let me just say one other thing. We have pushed for relief, and are pushing for relief for the residential rate payers, and I believe that is what we are getting, with what we are designing is relief for the residential rate payers. But I think that we should not push beyond the maximum that is justifiable and I think when you have had Touche Ross coming in and recommending it, and it is awfully close to the 1.39 you are talking about, Ron. I think it is very justifiable, and I would not have the problem with this that I would have with 1.5. I would have trouble justifying the 1.5..."

Councilmember Mullen explained why he thought it was important to go 1.39. 1.39 is much easier justifiable because it has already been through the situation and TP & L and it is already there. The difference between the amount of money the consumer is going to pay on the average bill of 1 cent a month. Now you all are not going to tell me that is going to make any difference to the consumer one cent a month. So the 1.39 is very defensible, even more so than the 1.4.

Councilmember Snell stated that that was a little bit a month.

Roll Call on Second Substitute Motion - Failed

Roll call on Councilmember Mullen's second substitute motion, Councilmember Cooke's second for the 1.39, showed the following vote:

Ayes: Councilmembers Mullen, Cooke

Noes: Mayor Pro Tem Himmelblau, Councilmembers Snell, Trevino,  
Mayor McClellan, Councilmember Goodman\*

\*Councilmember Goodman made the following statement: "The 1.39 has been through no Court test whatsoever. It has merely been approved by the Public Utilities Commission. 1.5 from all the indications we have got would be just as defensible in Court as would the the 1.39. No."

Roll Call on First Substitute Motion - Failed

Roll Call on Councilmember Goodman's Substitute motion, Councilmember Trevino's second, for the 1.5, showed the following vote:

Ayes: Councilmembers Goodman\*, Snell, Trevino\*

Noes: Mayor McClellan\*, Mayor Pro Tem Himmelblau, Councilmembers  
Mullen, Cooke\*

\*Councilmember Goodman stated: "I realize there may be some big corporations watching how we vote today. I think our greater obligation, and I don't think it sacrifices the job market in Austin is to those people who are paying the bills and are still paying the bills, I vote yes."

\*Councilmember Trevino stated: "I don't know about the corporation but I know there is a heck of a lot of people out there, small business, consumer, you know the residential...small business man. I vote yes."

\*Mayor McClellan stated: "I am very concerned about the fiscal well-being of this City and certainly the residential rate payers and what ultimate burden you would put on those residential rate payers, and I vote no."

\*Councilmember Cooke stated: "I, too, am listening to the commentary that my fellow colleagues have made, and also listening to what has been said with regard to the attempt to try to assist the citizens of Austin and at the same time a good economic indicator to the community at large and to the nation in regard to Austin's attitude, encumbers me to vote 1.4, so therefore I will vote no on that."

Roll Call on Original Motion - Passed

Roll call on Mayor Pro Tem Himmelblau's motion, Mayor McClellan's second, for the 1.4, showed the following vote:

Ayes: Councilmember Cooke, Mayor Pro Tem Himmelblau, Councilmember  
Mullen\*, Mayor McClellan\*

Noes: Councilmembers Goodman\*, Snell, Trevino\*

\*Councilmember Mullen made the following statement: "I want to make it clear that as I said, I too am interested in the consumer, but I am looking at the total picture, not one small segment which makes up the difference of a few cents a month. To the consumer, it is a loss of essential jobs. A demagogue can make it sound as if we are not taking care of the consumer. It is unfortunate. I vote yes."

\*Mayor McClellan made the following statement: "Well, we are bringing the maximum relief justifiable to the residential consumer and also doing what is fair and equitable for all persons concerned, and I think this is what we can justify on a long-range basis in this community and certainly for the next two years, in our rates we are setting, and I vote yes."

\*Councilmember Goodman made the following statement: "This issue is obviously decided. No."

\*Councilmember Trevino made the following statement: "Like my colleague Councilman Mullen, I want to also make it perfectly clear that we had an opportunity to really bring relief to the small consumer, and unfortunately it wasn't possible. I vote no."

Mayor McClellan asked Mr. R. B. Hancock, Director of the Electric Utility, how long it would take the consultants to break out the individual impact using this rate differential. Mr. Hancock indicated that subsequent to this decision, the tariffs themselves would have to be designed. He stated that the consultants could bring back the finalized tariff for Council consideration within 3 weeks. Mr. Hancock pointed out that that would address the distribution of those revenue requirements within the specific classes depending on the characteristics within that class.

ADJOURNMENT

The Council then adjourned at 5:40 p.m.

APPROVED

  
Mayor

ATTEST:

  
City Clerk